A Study on Demonetisation in India and Its Effectuations

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ABSTRACT

The research paper spotlighted a study on the effectuations of Demonetisation in India. The term ‘demonetisation’ ruled the nation after demonetizing the high value currency. It attempted to showcase the demonetisations done in various periods to eradicate ‘black money, corruption, fake currency, terrorism’ etc. It also listed out the features of the new currencies, merits and demerits of demonetisations. This article was an attempt to make a clear vision about it and its importance. It analyzed the long term and short term effectuations of demonetization. It also suggested tips to common people to manage the toughest period of demonetisation. This article would give a clear picture of the demonetisation and the steps taken by our Government to reduce the trauma of common people.

INTRODUCTION

In India, demonetisation has become the hottest topic to discuss nowadays. The word ‘demonetisation’ itself might not have been even searched for meaning before 8th November, 2016. After the great move of Demonetisation announced by Hon’ble Prime Minister of India, Narendra Modi, all started to speak about it. Demonetization has also been done in few other countries like Nigeria, Ghana, Pakistan, North Korea, Zimbabwe, Myanmar, Australia, Soviet Union. With the historic move of demonetisation, India has stepped into a ‘Cashless Age’ which is a modern era of Plastic money and e-money. It is being done periodically to eradicate ‘Black Money, Black marketing, corruption, hawala, counterfeiting’ etc. This generation may not aware that during ancient times when shells and tobacco were used as money. Their demonetisations have grown up to so far in demonetizing the paper currency of Rs.500/- and Rs.1,000/-This research highlights the definition, and the three periods of demonetisation in India, merits and demerits, suggestions etc.

What is Demonetisation?

The old unit of currency must be retired and replaced with new currency unit and its process is called demonetization. Demonetization is ending something as no longer the legal tender of a country such as currency notes.

According to Merriam Webster Dictionary:
The term ‘demonetisation’ has its root word from verb ‘demonetize’. It is a transitive verb which has various meanings as followed:

1. To stop using (a metal) as a monetary standard
2. To deprive of value for official payment
‘Demonetization’ has its origin in French ‘demonetizer’ de + Latin moneta coin. It was first used in 19th Century, i.e. 1852
When PM Modi announced that the denomination of Rs.500/- and Rs.1000/- would cease to be the legal tender from 9th of November 2016, the whole country was stunned. This great move was welcomed by majority of the people, except those who were indulged in malpractices, terrorisms, illegal activities etc. Some of the people wanted the government to roll back it. The main objective of the move was to crumb black money, corruption and fake money. Government also carried out counter attacks. It made the people of poor and middle class also to get affected due to shabby implementation. In addition, all other opposite parties claim that Demonetization has created doubts about Mr. Modi’s competence.

In India, High Currency is demonetized three times so far such as:

1. On 12th January 1946 - Rs.500, Rs.1000 and Rs.10,000 demonetized
2. On 14th January 1978 –Rs.1000, Rs.5,000/- and Rs.10,000/- demonetized
3. On 9th November 2016 – Rs.500/-, and Rs.1000/- demonetized

Source: The Press Releases of THE INDIAN EXPRESS, about Demonetizations in all the three different periods
INDIA: BEFORE DEMONETISATION

In India, money is used with ten different values as listed below:

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<td>20 Rupee Currency</td>
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<td>500 Rupee Currency</td>
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This part of the research highlights the government’s measures taken before the announcement of demonetisation. The decision was not taken in a day but two years before by Hon'ble PM. He suggested all the citizens should have a bank account especially the people who are from non-creamy layer. He promoted it by permitting to open a new bank account with zero balance. Later, their Aadhaar Card Number was added. By doing so, it was estimated that people have to approach banks for transactions. In addition, he announced two insurance schemes for Rs.12/- month and a life insurance for two lakh with minimum amount of investment based on the age variances. This scheme also kindled all sort of people in India to open a bank account. Naturally, the number of people with bank accounts got increased. Then, the decision was taken to announce the demonetization of High Value Currency such as Rs.500/- and Rs.1000/- from 9th November, 2016 onwards which was approved by Reserve Bank of India. It was kept secretly and the new currency notes were started to print for six months.

INDIA: DURING DEMONETISATION

Almost every transaction in India is done using currency. PM Modi announced that abolition of 500/- and 1000/- from India on 8 Nov Midnight and 9 Nov banks were closed and ATM will not work for 48 hours. Introduce of new 500/- and 2000/- currency notes Modi wanted people to bear difficulties for betterment of India. People could get only Rs 4000/- of old denomination exchanged with the new one. up to 2.5/- lacks of old notes can be deposited in bank till 31 Dec 2016.

More than 80% of people supports demonetization. The demonetization was worth the troubles it had brought. PM Modi ask people to bear inconvenience till 31 December, 2016
<table>
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<th>Features of new Rs.500/- Notes</th>
<th>Features of new Rs.2,000/- Notes</th>
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<tr>
<td><img src="image1" alt="Image of Rs.500 note" /></td>
<td><img src="image2" alt="Image of Rs.2,000 note" /></td>
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<tr>
<td>1. See through register in denominational numeral.</td>
<td>1. See through register with denominational numeral 2000 can be seen when the note is held against light</td>
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<td>2. Latent image of the denomination numeral.</td>
<td>2. Latent image with denominational numeral 2000 which can be seen when the banknote is held at 45 degree angle at the eye level</td>
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<td>3. Denomination numeral in Devanagari.</td>
<td>3. Denominational numeral 2000 in Devanagari</td>
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<td>4. Orientation and relative position of Mahatma Gandhi portrait changed.</td>
<td>4. Portrait of Mahatma Gandhi in the centre</td>
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<td>5. Windowed security thread changes colour from green to blue when note is tilted.</td>
<td>5. Micro letters 'RBI' and '2000'</td>
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<td>6. Guarantee clause, Governor's signature with promise clause and RBI emblem tilted towards right.</td>
<td>6. Colour shift windowed security thread with inscriptions 'Bharat', RBI and 2000. Colour of the thread changes from green to blue when the note is tilted</td>
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<tr>
<td>7. Portrait and electrotype watermarks.</td>
<td>7. Guarantee Clause, Governor's signature with Promise Clause and RBI emblem towards right</td>
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<td>8. Number panel with numerals growing from small to big on the top left side and bottom right side.</td>
<td>8. Mahatma Gandhi portrait and electrotype (2000) watermarks</td>
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<tr>
<td>9. Denomination in numerals with rupee symbol in colour changing ink (green to blue) on bottom right.</td>
<td>9. Number panel with numerals growing from small to big on the top left side and bottom right side</td>
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<tr>
<td>10. Ashoka pillar emblem on the right.</td>
<td>10. Ashoka Pillar emblem on the right</td>
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<td>For visually impaired:</td>
<td>For visually impaired</td>
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<td>Raised printing of Mahatma Gandhi portrait, Ashoka pillar emblem, based and identification mark.</td>
<td>11. Raised printing of Mahatma Gandhi portrait, Ashoka Pillar emblem, based and identification mark</td>
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<td>11. Circle with Rs 500 in raise print on the right.</td>
<td>12. Horizontal rectangle with Rs 2000 in raised print on the right</td>
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<tr>
<td>12. Five bleed lines on left and right in raised print.</td>
<td>13. Seven angular bleed lines on left and right side in raised print</td>
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<tr>
<td>Reverse</td>
<td>Reverse</td>
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<tr>
<td>13. Year of printing of the note on left.</td>
<td>14. Year of printing of the note</td>
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<tr>
<td>14. Swachh Bharat logo with slogan.</td>
<td>15. Swachh Bharat logo with slogan</td>
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<td>15. Language panel towards centre.</td>
<td>16. Language panel towards the centre</td>
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<tr>
<td>16. Red Fort- an image of Indian heritage site with Indian flag.</td>
<td>17. Motif of Mangalyan - reflecting country's first venture in the interplanetary space</td>
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<tr>
<td>17. Denomination numeral in Devanagari on right.</td>
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Common people are on the view that the new notes of Rs.500/- and Rs.2,000/- are comparatively smaller than the former Rs.500/- Note. They worry that the new currency notes may not be found easily if misplaced. Still, they are printed with the best quality which cannot be torn even if it handled by children. In comparison with the new one, the old currency notes were liable to be torn easily by children. Even during demonetisation, crores and crores of Black money were torn and thrown in streets and municipality garbage bins. People used to write their names, numbers, address in the specimen space of the old currency notes which were also accepted by Automated Telling Machines (ATMs). It could have facilitated even terrorists, smugglers to pass their secret codes as one of their modes of communication too. Now, it is not quite possible with the new currency notes. If anything is written in the new currency notes, which will not be accepted by ATMs and lacks its value of money too.

INDIA: FUTURE OF DEMONETISATION:

Terrorism will be not promoted due to demolish of fake currency notes. Corruption is simply a part of how things work in Indian bureaucracy. Demonetization will be worth because it will fight corruption. But it isn’t clear how this policy will hamper corruption — first, because as many experts have pointed out, most black money isn’t held as cash but is converted to assets or transferred overseas. And second, even if money from bribes was held at home in gurney bags, demonetization would have to work perfectly with no loopholes for the rich, clever and/or powerful to navigate through. And third, although through this policy, some money obtained through bribes may now be worth nothing or at least brought into the bank system to undergo scrutiny. India is a country that is young and bursting with potential, and we live in an exciting world of digitization and accelerated growth, and nobody wants to be left out.
LONG AND SHORT TERM EFFECTUATIONS OF DEMONETISATION:

The following flow chart interprets the possible ways of positive effectuations of demonetisation.

CRITICISMS ON DEMONETISATION:

Mrs. G. Latha, Tailor, Trichy

Demonetization has become the toughest days for me and also for my business. Since I was not aware of it, I accepted those demonetised notes from my customers.

After watching the news, I got astounded and found very difficult to change my money for the sake of my children and household expenses. If we were already given an alert for the same, then we would have done some precautions earlier.
Mr. M. Vinod, Software Engineer, HCL, Bangalore

It was a great move but there were no proper preventive measures to overcome or to change the old notes. It was very difficult to withdraw my own money for my daily expenses too. When I got the new 2000 Rupee notes, I was not able to change them due to deficit of change in small shops.

Mrs. R. Uma Rani, Staff Nurse Government Hospital, Trichy

A great move which is meant to eradicate ‘Black Money’ which would take our Nation into a new peak globally. In the past 50 days, I did not suffer a lot due to demonetisation as I was helped by my son to withdraw money from ATMs and operate Net Banking, whereas both the in-patients and out patients who took treatment in our hospital really found difficulties during those days.

Mr. R. Chandra Kumar, Assistant Professor, Nalanda School of Business, Trichy

‘According to me, demonetization is a new word in progress. Exchanging demonetized 500 and 1000 rupees notes was really difficult for me. I faced a lot of difficulties in exchanging them since I am working. I couldn’t approach my Bank to exchange the meagre amount I had to exchange. Consequently, I had to cancel the planned trips due to money problem. Our Govt. has permitted us to withdraw only Rs.4,500/- . The permitted amount is not sufficient to run family and manage the expenses for the same. The only possible outcome of this is demonetization’

Mr. Nagenthiran, Senior Manager, Canara Bank, Trichy says, ‘It is the very bold decision taken by PM, without seeing the political benefits. It is well planned for the last 2 years, when he announced to open Jan Dhan accounts for all with zero balance and no one is left without Bank account. It is a fact that Rs.4 Lakh Crores of Black Money has been identified till now. Now it is understand from customers that required cash is met from Banks. I too find no problem in this area.

It is necessary for the developing country like India. I have easily managed the situation. Digital India is the indication given by our Hon’ble PM long back and most of the Y Gen have fluent in smartphone operations. Now one more advancement of even without POS machine, MEs can trade/deal with the help of smart phones for trading’.

**MERITS AND DEMERITS OF DEMONETISATION:**

**Merits:**

- Crime activities like bank robbery, chain snatching, theft activities have been reduced
- Badly hit Maoist and Naxalites as well
• Affected fake notes used to empower terrorism activity in India
• Kashmir moved back to normalcy
• Small vendors have been kindled to use Apps and Card machines
• Boosts tax revenues, higher government capital expenditure
• Boosts online payments,
• Revealing expenditure made by person to the tax authorities especially in large transaction
• Black money can be permanently demolished if follow up measurements are taken by the government
• Nation will go cashless, which will promote ‘Digital India’ initiated by our Hon’ble Prime Minister, Narendra Modi.

Demerits:

• The scarcity of cash due to demonetisation led to chaos, and most people holding old banknotes faced difficulties exchanging them due to endless lines outside banks and ATMs across India, which became a daily routine for millions of people waiting to deposit or exchange the ₹500 and ₹1000 banknotes since 9 November.
• Several people were reported to have died from standing in queues for hours to exchange their old banknotes.
• People in the country gets to know about it than initially for few days there is chaos and frenzy among public, it will lead to law and order problem.
• After the demonetisation was announced, about 800,000 truck drivers were affected with scarcity of cash
• Global analysts cut their forecasts of India’s GDP growth rate due to demonetisation
• Destruction of old currency units and printing of new currency new units involve costs which has to be borne by the government and if the costs are higher than benefits then there is no use of demonetization.
• Mainly targeted black money but if people have not kept cash as their black money and rotated or used that money in other asset classes like real estate, gold and so on then there is no guarantee that demonetization will help in catching corrupt people
• Petrol bunks announced that debit and credit cards would not be accepted since one percent of transaction fee was charged by Banks. Later it was permitted without charging any transactional tax for filling Petrol / Diesel in bunks

SURVEY REPORT ON DEMONETISATION:

Our survey on ‘Demonetisation’ which was answered by 113 people from various statuses like students, private sectors, government sectors, academicians and entrepreneurs. It reports, ‘Demonetisation is welcomed by 82.3 percent of the people, whereas opposed by 17.7 percent. Among them, 80.3 percent agree that it is necessary, meanwhile, 19.5 percent stand against its relevance in India. It also evidences that 53.1 percent of the people have managed ‘difficultly, whereas 23 percent nd 23.9 percent have managed it ‘very difficulty’ and ‘easily’ respectively. It also witnesses that the familiary of people with Digital Transactions to promote ‘Digital India’ Movement as below:
The above bar diagram interprets that well organized remedial steps might have been taken before the announcement or implementation of ‘Demonetisation’ in India to prevent the unfortunate deaths of common people who were in queue for collecting or exchanging their own money from Banks / ATMs.

Source of Survey:
https://docs.google.com/forms/d/1I5DipKTXWCQeIKCIRYv2rc40UviUhFDCGj4YJLj6A/edit#responses
TIPS TO COPE UP WITH DEMONETISATION:

1. First priority should be to preserve cash. Only use cash to buy things which are essential. Any big spend like repair works where cash has to be paid may be postponed.

2. Try to use debit card as far as possible while purchasing in super markets or for bill payments.

3. Use cheques in place of cash or fund transfer to their bank account through net banking

4. If you receive large amount of cash, deposit in bank account PAN card number is need for more than 50,000/- per day.

5. Avoiding long travel particularly for holidays as most often cash is used

6. Deposit cash in bank accounts and pay tax, paying tax is better than losing whole

7. Don’t help other people to turn there black money to white, tomorrow you will be answerable to the tax authorities for the source for such amount of money

CONCLUSION

From the above research paper, it is evident that demonetisation is welcomed by the majority of the citizens with a common suggestion that the new notes might have been ready which would have reduced the defects of the same great move. Still it is expected by the every individual that the remedial steps have to be taken to facilitate them by printing sufficient notes which should be made available as soon as possible in all the Banks and ATMs, conducting awareness programs to utilize the ‘Digital Transactions’ by all.

BIBLIOGRAPHY


